ASA
American Soybean Association

Statement of Scott Fritz, Board of Directors
American Soybean Association
before the
Committee on Agriculture
U.S. House of Representatives
March 11, 2010

Good morning, Mr. Chairman and Members of the Committee. I am Scott Fritz, a soybean and corn producer from Winamac, Indiana, and a member of the Board of Directors of the American Soybean Association (ASA). ASA is the advocate and representative of U.S. soybean farmers on policy issues. We are pleased to have the opportunity to appear before you today on the important issue of agricultural trade with Cuba.

ASA commends you, Mr. Chairman, and other Members of the Committee, for seeking to normalize trade and travel between the United States and Cuba. An initial step in this direction was taken with enactment of the Trade Sanctions Reform and Export Enhancement Act, or TSRA, in 2000, which lifted sanctions on commercial sales of U.S. agricultural commodities to Cuba. As a result of this legislation, Cuba has become a key importer of U.S. soybeans, soybean meal and soybean oil. According to the U.S. International Trade Commission, soybean and soybean product exports to Cuba more than doubled, from $61.6 million in 2002 to $134.7 million in 2008. Soybeans, soybean meal and soybean oil represented 19 % of the value of total U.S. exports to Cuba in 2008.

While this performance certainly represents an improvement after the long-standing trade embargo, there is significant potential to further increase soy exports to Cuba. In 2008, Cuba imported a total of 496,000 metric tons of soybean, soybean meal and soybean oil from all sources. Of this total, 282,000 metric tons, or 58 percent, were purchased from the United States. However, the U.S. soybean industry is uniquely positioned to significantly increase its share of the Cuban market. U.S. ships can reach the three major Cuban ports in one day, compared to 25 days from Brazil or Argentina. As a result, our shipping costs are much lower than for our South American competitors, giving us a natural advantage in supplying the Cuban market.

Unfortunately, TSRA imposes significant financing and licensing conditions on U.S. export sales to Cuba. All transactions must be paid in cash prior to shipment, commercial and government financing or credit is prohibited, export licenses are required, and all transactions must be handled by a third-party bank. A list of these and other factors that weaken the competitive position of U.S. agricultural exports to Cuba is attached to my statement. These restrictions nullify our natural advantage in exporting to Cuba. Their elimination would enable the U.S. to further increase its market share for soybean and soybean product exports to that country.

ASA strongly supports the Travel Restriction Reform and Export Enhancement Act, which would eliminate financing and travel restrictions affecting trade with Cuba. Necessary policy changes include the following:

- **Direct Banking Should Be Allowed** – At present, all financial transactions with Cuba must be handled by third-party banks outside the United States. This requirement results in unnecessary costs and delays for U.S. businesses, which must receive payment from Cuba through a third-country bank, rather than a U.S. bank.

- **The "Payment in Advance" Rule Should be Eliminated** -- Under the Payment in Advance Rule, a product sold to Cuba must be paid for in cash prior to shipment from U.S. ports. This contrasts with the normal business practice of paying for goods after arrival, when title to the goods changes hands. The U.S. does not impose this requirement on sales to any other country.

- **Unrestricted Travel to Cuba Should be Allowed** – Currently, farmers and companies selling goods to Cuba must apply for a license before traveling there. There is no guarantee that licenses will be granted in a timely manner, and the time and resources required to apply for the license are a burden, particularly to farmers and small businesses.

Removing the financing restrictions will make U.S. agricultural products more competitive because it would reduce Cuba's cost of purchasing U.S. products. The ITC estimates that such costs would be lowered by from 2.5 to 10 percent of the purchase price. The Commission also estimates that, in the absence of financing restrictions, U.S. exports to Cuba would have been from 11 to 26 percent higher in 2008.

If the travel ban is eliminated, the number of U.S. citizens traveling to Cuba annually would increase to between 500,000 and 1.0 million. This growth in travel to Cuba would bring in more hard currency, enabling the Cuban state-trading agency, Alimport, to buy more U.S. agricultural products. Ending the travel ban would also benefit the U.S. economy by creating much-needed American jobs in the tourism and airline industries.

U.S. economic sanctions against Cuba have cost U.S. farmers and businesses billions of Dollars in exports to the Cuban market. In a time of economic downturn, we can no longer sit on the sidelines and watch our competitors continue to supply a market where we have a natural advantage. ASA strongly supports the Travel Restriction Reform and Export Enhancement Act, which eliminates financial and travel restrictions on Cuba, and which would be consistent with the Administration's goal to double exports in the next five years. U.S. farmers stand ready to meet Cuban demand for soybean products, but U.S. policy must change. Legislation can "correct an economic blind spot that has allowed other countries to chip away at America's international competitiveness."

Thank you, again, Mr. Chairman, for the opportunity for the American Soybean Association to present its views on this important issue. I would be happy to respond to any questions.

Source: "U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions" U.S. International Trade Commission, June 2009.
http://www.usitc.gov/publications/332/working_papers/ID-22.pdf

Factors Weakening the Competitive Position of U.S. Agricultural Products in the Cuban Market

- U.S. exporters cannot offer credit to Cuba for the purchase of U.S. products. Most U.S. competitors make concessions to finance trade with Cuba.
- U.S. regulations require U.S. exports to Cuba to be paid "cash in advance." Payments are made through letters of credit through third-country banks. The regulations are a particular concern for small and medium-sized exporters because they do not have established commercial relationships with the appropriate foreign banks.
- When purchasing U.S. products, Alimport may incur additional storage and demurrage costs if the transactions paperwork is not completed on schedule.
- U.S. exporters wishing to travel to Cuba in order to complete sales contracts find the travel licensing process to be cumbersome, nontransparent, and time consuming.
- The United States restricts visits by Cubans for sales negotiations and for SPS inspections of U.S. products and processing facilities.
- U.S. agricultural trade associations cannot use industry-generated national checkoff funds, USDA Foreign Market Development funds, or USDA Market Access Program allocations for market research and promotion activities in Cuba.
- U.S. regulations penalize foreign vessels that dock in Cuban ports prior to arrival in the U.S., resulting is less competition between carriers and higher transportation costs.

Scott E Fritz

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Education:

Purdue University
Bachelor of Science Agriculture Economics, 1974

Work Experience:

Fritz Black Sand Farms, Inc. Winamac, IN: 1980 - Present

Owner/Operator (President/Treasurer)

- Produces 2,500 acres of Corn, Popcorn, Seed Soybeans and Soybeans
- 25+ year history of continuous no-tillage crop production practices
- Tier 3 participant in the Conservation Security Program (CSP)
- Farm was an early adopter of bio-tech seeds and global positioning and monitoring systems

Professional Organizations:

American Soybean Association: 1997 – 2001, 2003 - Present

- Board of Directors: 1 of 2 directors representing Indiana
- Trade Policy and International Affairs Committee, Value Enhanced Sub-Committee Chair
- World Soy Foundation (WSF) – Treasure
- World Initiative for Soy in Human Health (WISHH) – Chairman, past Treasurer
- Member: Biotechnology Working Group, and Grain Marketing Performance Task Force

Experience includes extensive international travel promoting U.S. soy products and biotechnology

U. S Soybean Export Council: 2008 - Present

- Current Vice Chairman
- Immediate Past Chairman

Indiana Soybean Alliance: 1991 - Present

- Past Treasurer, Executive Committee
- Demand Committee, formerly International Marketing
- Past President Indiana Soybean Growers Association

Indiana Farm Management Association: 1996 - Present

- Treasurer
- Past President

Community Organizations:

Pulaski Health Foundation: 1990 - Present

- Current Chairman
- Foundation manages $6 million in assets
- Owns and operates a 58-resident extended care facility and a 24 apartment senior housing facility

Pulaski County Farm Bureau Cooperative Association: 1980 - 1996

Honors and Activities:

- Indiana Prairie Farmer Magazine 'Master Farmer'
- American Soybean Association/DuPont 'Young Leader'
- Host for the Indiana Farm Management Tour
- Congressman Donnelly's Agriculture Advisory Committee

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2007.

Name: Scott Fritz

Address: 12125 Woodcrest Executive Drive, Suite 100, St. Louis, MO, 63141

Telephone: 314-576-1770

Organization you represent (if any): American Soybean Association

1. **Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2007, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:**

Source: USDA Market Access Program **Amount:** 14,581,898

Source: USDA Foreign Market Development Program **Amount:** 20,404,330

2. **If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2007, as well as the source and the amount of each grant or contract:**

Source: USDA Emerging Market Program **Amount:** 771,276

Source: USDA Quality Sample Program **Amount:** 321,250

Please check here if this form is NOT applicable to you: ____________

Signature: Scott Fritz

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.